

TOWNSHIP OF MONTROSE  
MONTROSE, MICHIGAN

REPORT ON FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Montrose Township	County Genesee
Fiscal Year End December 31, 2005	Opinion Date May 10, 2006	Date Audit Report Submitted to State June 10, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


**YES**  
**NO**

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Internal control and compliance report	
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 1107 E. Eighth Street		City Traverse City	State MI
		Zip 49686	
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA	License Number 11050

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INTRODUCTORY SECTION

Township of Montrose  
List of Elected Officials  
December 31, 2005

ELECTED OFFICIALS

Mark Emmendorfer	Supervisor
Kelly Yuhos	Clerk
Donald Sullivan	Treasurer
John Newcomer	Trustee
Gary Keeler	Trustee
William Persails	Trustee
Fred Domine	Trustee

FINANCIAL SECTION

## INDEPENDENT AUDITORS' REPORT

Members of the Township Board  
Township of Montrose  
Montrose, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Montrose, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Montrose, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Montrose, Michigan, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Township of Montrose  
Independent Auditors' Report  
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated May 10, 2006, on my consideration of the Township of Montrose's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

*Bary E. Vandell, CPA, PC*  
May 10, 2006



BASIC FINANCIAL STATEMENTS

Township of Montrose  
Statement of Net Assets  
December 31, 2005

	Governmental Activities	Business -Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 437,800	\$ 344,039	\$ 781,839
Receivables		72,150	72,150
Prepaid expenses	30,627		30,627
Due from other funds	139,144	4,000	143,144
Restricted cash		47,764	47,764
Capital assets (net of accumulated depreciation):			
Land and improvements	229,000		229,000
Buildings and improvements	544,357		544,357
Equipment	284,800		284,800
Fire equipment	142,691		142,691
Police equipment	95,895		95,895
Park improvements	526,832		526,832
Cemetery improvements	82,026		82,026
Parking lot	6,400		6,400
Sewer system		486,841	486,841
Water system		763,768	763,768
Total assets	<u>2,519,572</u>	<u>1,718,562</u>	<u>4,238,134</u>
<b>LIABILITIES</b>			
Accounts payable	121,088	25,257	146,345
Accrued liabilities	14,651		14,651
Accrued interest		7,539	7,539
Due to other funds	15,938	19,822	35,760
Noncurrent liabilities:			
Due within one year		25,323	25,323
Due in more than one year		314,861	314,861
Total liabilities	<u>151,677</u>	<u>392,802</u>	<u>544,479</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,912,001	910,425	2,822,426
Restricted for:			
Debt service		47,764	47,764
Unrestricted	<u>455,894</u>	<u>367,571</u>	<u>823,465</u>
Total net assets	<u>\$2,367,895</u>	<u>\$1,325,760</u>	<u>\$ 3,693,655</u>

See notes to financial statements

Township of Montrose  
Statement of Activities  
For the Year Ended December 31, 2005

Functions /Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Legislative General	\$ 172,377	\$	\$	\$
Government	327,621	55,165	50	
Public safety	1,131,273	157,285	232,031	
Public works	605,961	158,478		564,408
Recreation & culture	166,717	20,300	28,839	93,544
Other expenses	<u>265,002</u>			
Total governmental activities	2,668,951	391,228	260,920	657,952
Business-type activities:				
Sewer	123,357	100,065		
Water	<u>233,595</u>	<u>332,122</u>		
Total	<u>\$3,025,903</u>	<u>\$823,415</u>	<u>\$ 260,920</u>	<u>\$ 657,952</u>

General revenues:  
Property taxes  
State aid  
Interest earnings  
Rents  
Miscellaneous  
Transfers

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

Net(Expense) Revenue and  
Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ ( 172,377)	\$	\$ ( 172,377)
( 272,406)		( 272,406)
( 741,957)		( 741,957)
116,925		116,925
( 24,034)		( 24,034)
<u>( 265,002)</u>		<u>( 265,002)</u>
( 1,358,851)		( 1,358,851)
	( 23,292)	( 23,292)
	<u>98,527</u>	<u>98,527</u>
<u>( 1,358,851)</u>	<u>75,235</u>	<u>( 1,283,616)</u>
371,013		371,013
481,400		481,400
9,293	5,952	15,245
2,300		2,300
25,213	35	25,248
<u>889,219</u>	<u>5,987</u>	<u>895,206</u>
( 469,632)	81,222	( 388,410)
<u>2,837,527</u>	<u>1,244,538</u>	<u>4,082,065</u>
<u>\$ 2,367,895</u>	<u>\$1,325,760</u>	<u>\$ 3,693,655</u>

Township of Montrose  
Balance Sheet  
Governmental Funds  
December 31, 2005

	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Cemetery</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 101,098	\$ 94,285	\$ 11,440	\$ 69,135
Prepaid expenses	30,627			
Due from other funds	<u>13,350</u>	<u>18,187</u>	<u>80,847</u>	<u>          </u>
Total assets	<u>\$ 145,075</u>	<u>\$112,472</u>	<u>\$ 92,287</u>	<u>\$ 69,135</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 15,025	\$ 483	\$ 13,316	\$
Accrued liabilities	14,651			
Due to other funds	<u>10,938</u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>40,614</u>	<u>483</u>	<u>13,316</u>	<u>          </u>
Fund balances:				
Unreserved, reported in:				
General fund	104,461			
Special revenue funds	<u>          </u>	<u>111,989</u>	<u>78,971</u>	<u>69,135</u>
Total fund balances	<u>104,461</u>	<u>111,989</u>	<u>78,971</u>	<u>69,135</u>
Total Liabilities and Fund Balances	<u>\$ 145,075</u>	<u>\$112,472</u>	<u>\$ 92,287</u>	<u>\$ 69,135</u>

See notes to financial statements

<u>Sanitary Landfill</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 147,550	\$ 14,292	\$ 437,800 30,627
<u>26,760</u>	<u>          </u>	<u>139,144</u>
<u>\$ 174,310</u>	<u>\$ 14,292</u>	<u>\$ 607,571</u>
\$ 91,477	\$ 787	\$ 121,088 14,651
<u>5,000</u>	<u>          </u>	<u>15,938</u>
<u>96,477</u>	<u>787</u>	<u>151,677</u>
		104,461
<u>77,833</u>	<u>13,505</u>	<u>351,433</u>
<u>77,833</u>	<u>13,505</u>	<u>455,894</u>
<u>\$ 174,310</u>	<u>\$ 14,292</u>	<u>\$ 607,571</u>

Township of Montrose  
Reconciliation of the Governmental Funds  
Balance Sheet  
With the Statement of Net Assets  
December 31, 2005

Amounts reported for governmental activities in the  
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 455,894
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Capital assets used in governmental activities  
are not financial resources and therefore are  
not reported as assets in governmental funds:

Cost of capital assets	3,741,997
Accumulated depreciation	<u>(1,829,996)</u>

Total Net Assets - Governmental Activities	<u>\$ 2,367,895</u>
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See notes to financial statements

Township of Montrose  
Statement of Revenues, Expenditures, and Changes  
In Fund Balance  
Governmental Funds  
For the Year Ended December 31, 2005

	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Cemetery</u>
<b>REVENUES</b>				
Taxes & adm. fees	\$ 142,606	\$ 57,087	\$171,320	\$
Licenses & permits	21,376			
Federal aid	92,019		52,726	
State aid	481,400		5,497	
Charges for services	239,656		43,878	
Interest earnings	2,231	1,032	415	1,150
Rents	2,300			
Fines & forfeits			26,358	
Other revenue:				
Miscellaneous	8,694	1,565	28,970	
Lot sales				9,125
Garbage bags	1,446			
Public & private contributions:				
City			171,308	
Franchise fees	13,152			
Donations	10,389	2,500		
All other refunds	1,921			
Special items:				
Impact fees				
Total revenues	<u>1,017,190</u>	<u>62,184</u>	<u>500,472</u>	<u>10,275</u>
<b>EXPENDITURES</b>				
Current:				
Legislative	172,377			
General government	190,540			4,245
Public safety	177,628	27,054	867,166	
Public works	195,433			
Recreation & culture	103,117			
Other expenses:				
Special item:				
Legal & settlements	250,460		14,542	
Capital outlays	<u>73,904</u>	<u>15,667</u>	<u>44,891</u>	<u>2,700</u>
Total expenditures	<u>1,163,459</u>	<u>42,721</u>	<u>926,599</u>	<u>6,945</u>
Excess (deficiency) of revenues over (under) expenditures	( 146,269)	19,463	(426,127)	3,330



<u>Sanitary Landfill</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	\$	\$
		371,013
		21,376
		144,745
		486,897
		283,534
4,279	186	9,293
		2,300
		26,358
	10	39,239
		9,125
		1,446
		171,308
	20,290	33,442
	20,025	32,914
		1,921
<u>564,408</u>	<u>          </u>	<u>564,408</u>
<u>568,687</u>	<u>40,511</u>	<u>2,199,319</u>
		172,377
		194,785
		1,071,848
410,528		605,961
	33,723	136,840
		265,002
<u>          </u>	<u>15,964</u>	<u>153,126</u>
<u>410,528</u>	<u>49,687</u>	<u>2,599,939</u>
158,159	( 9,176)	( 400,620)

Township of Montrose  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance  
Governmental Funds  
For the Year Ended December 31, 2005

	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Cemetery</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in(out)	<u>193,821</u>	<u>          </u>	<u>446,828</u>	<u>          </u>
Net changes in fund balances	47,552	19,463	20,701	3,330
Fund balances- beginning	<u>56,909</u>	<u>92,526</u>	<u>58,270</u>	<u>65,806</u>
Fund balances- ending	<u>\$ 104,461</u>	<u>\$111,989</u>	<u>\$ 78,971</u>	<u>\$ 69,136</u>

See notes to financial statements

<u>Sanitary Landfill</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>( 640,649)</u>	<u>                    </u>	<u>                    </u>
( 482,490)	( 9,176)	( 400,620)
<u>560,322</u>	<u>22,681</u>	<u>856,514</u>
<u>\$ 77,832</u>	<u>\$ 13,505</u>	<u>\$ 455,894</u>

Township of Montrose  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance of Governmental Funds  
To the Statement of Activities  
For the Year Ended December 31, 2005

Amounts reported for governmental activities in the  
statement of activities are different because:

Total net change in fund balances -	
total governmental funds	\$( 400,620)

Governmental funds report capital outlays  
as expenditures. However, in the statement  
of activities the cost of those assets is  
allocated over their estimated useful lives  
and reported as depreciation expense. This  
is the amount by which capital outlays  
exceeded depreciation in the current period.

Capital outlays	153,126
Depreciation	<u>( 222,138)</u>

Change in net assets of governmental activities	<u>\$( 469,632)</u>
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See notes to financial statements

Township of Montrose  
Statement of Net Assets  
Proprietary Funds  
December 31, 2005

	Business-type Activities -Enterprise Funds	
	Sewer Fund	
	<u>Prior Year</u>	<u>Current Year</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 79,001	\$ 63,267
Receivables	16,187	16,324
Due from other funds		4,000
Total current assets	<u>95,188</u>	<u>83,591</u>
Noncurrent assets:		
Restricted cash, cash equivalents:		
Debt service		
Capital assets:		
Sewer system	539,460	539,460
Water system		
Less accumulated depreciation	( 39,132)	( 52,619)
Total capital assets (net of accumulated depreciation)	<u>500,328</u>	<u>486,841</u>
Total noncurrent assets	<u>500,328</u>	<u>486,841</u>
Total assets	<u>595,516</u>	<u>570,432</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable		6,090
Accrued interest	8,977	7,539
Due to other funds		15,822
Bonds payable		
Notes payable-current portion	<u>24,378</u>	<u>25,323</u>
Total current liabilities	33,355	54,774
Noncurrent liabilities:		
Notes payable	<u>340,184</u>	<u>314,861</u>
Total liabilities	<u>373,539</u>	<u>369,635</u>
<b>NET ASSETS</b>		
Invested in capital assets	135,766	146,657
Restricted for debt service		
Unrestricted	<u>86,211</u>	<u>54,140</u>
Total net assets	<u>\$ 221,977</u>	<u>\$ 200,797</u>

See notes to financial statements

Business-type Activities  
-Enterprise Funds

Water Fund		Totals
Prior Year	Current Year	12/31/05
\$ 149,093	\$ 280,772	\$ 344,039
53,251	55,826	72,150
		4,000
<u>202,344</u>	<u>336,598</u>	<u>420,189</u>
<u>60,984</u>	<u>47,764</u>	<u>47,764</u>
1,249,526	1,249,526	539,460
( 454,520)	( 485,758)	1,249,526
		( 538,377)
<u>795,006</u>	<u>763,768</u>	<u>1,250,609</u>
<u>855,990</u>	<u>811,532</u>	<u>1,298,373</u>
<u>1,058,334</u>	<u>1,148,130</u>	<u>1,718,562</u>
	19,167	25,257
773		7,539
	4,000	19,822
35,000		
		<u>25,323</u>
<u>35,773</u>	<u>23,167</u>	<u>77,941</u>
		<u>314,861</u>
<u>35,773</u>	<u>23,167</u>	<u>392,802</u>
760,006	763,768	910,425
60,984	47,764	47,764
<u>201,571</u>	<u>313,431</u>	<u>367,571</u>
<u>\$1,022,561</u>	<u>\$1,124,963</u>	<u>\$1,325,760</u>

Township of Montrose  
Statement of Revenues, Expenses,  
and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2005

	<u>Business-type Activities</u> <u>-Enterprise Funds</u>	
	<u>Sewer Fund</u>	
	<u>Prior Year</u>	<u>Current Year</u>
Operating revenues:		
Charges for services	\$ 94,904	\$ 89,314
Total operating revenues	<u>94,904</u>	<u>89,314</u>
Operating expenses:		
Sewer use fees	51,140	62,203
Purchase of water		
Utilities	39	79
County billing charges	1,020	1,195
Depreciation	<u>13,487</u>	<u>13,487</u>
Total operating expenses	<u>65,686</u>	<u>76,964</u>
Operating income(loss)	<u>29,218</u>	<u>12,350</u>
Nonoperating revenues (expenses):		
Transfer in		
Tap in fees	21,701	10,751
Investment earnings & penalties	1,649	2,097
Turn on/off charges	( 1,200)	( 359)
Sewer connections	( 2,400)	( 3,550)
Drain improvements		( 15,822)
Line payments		
Miscellaneous expense		( 6,224)
Miscellaneous revenue		15
Special assessments & interest		
Services charges		( 42)
Interest expense & fiscal charges	<u>( 22,702)</u>	<u>( 20,396)</u>
Total nonoperating revenue (expenses)	<u>( 2,952)</u>	<u>( 33,530)</u>
Change in net assets	26,266	( 21,180)
Total net assets - beginning	<u>195,711</u>	<u>221,977</u>
Total net assets - ending	<u>\$ 221,977</u>	<u>\$ 200,797</u>

See notes to financial statements

<u>Prior Year</u>	<u>Water Fund Current Year</u>	<u>Totals 12/31/05</u>
\$ 288,096	\$ 296,998	\$ 386,312
<u>288,096</u>	<u>296,998</u>	<u>386,312</u>
185,378	192,897	62,203
2,370	692	192,897
<u>31,240</u>	<u>31,238</u>	79
<u>218,988</u>	<u>224,827</u>	1,887
69,108	72,171	<u>44,725</u>
100,000		<u>301,791</u>
16,665	12,674	84,521
4,379	3,855	
( 66)	( 1,043)	23,425
( 226,000)	( 3,930)	5,952
65	20	( 1,402)
29,564	22,450	( 3,550)
( 8,434)	( 3,440)	( 15,822)
( 83,827)	30,231	( 10,154)
( 14,719)	102,402	35
<u>1,037,280</u>	<u>1,022,561</u>	22,450
<u>\$1,022,561</u>	<u>\$1,124,963</u>	( 3,482)
		<u>( 20,751)</u>
		( 3,299)
		81,222
		1,244,538
		\$1,325,760



Township of Montrose  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2005

	Business-type Activities -Enterprise Funds	
	Sewer Fund	
	<u>Prior Year</u>	<u>Current Year</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 92,149	\$ 89,177
Payments to suppliers	( 52,199)	( 57,387)
Net cash provided by operating activities	<u>39,950</u>	<u>31,790</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating transfer in Due from/to other funds		11,822
Tap in fees	21,700	10,751
Turn on/off charges	( 1,200)	( 359)
Sewer connections	( 2,400)	( 3,550)
Drain improvements		( 15,822)
Service charges		( 42)
Miscellaneous		( 6,209)
Net cash provided(used) by noncapital financing activities	<u>18,100</u>	<u>( 3,409)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Line payments		
Special assessments & interest		
Interest expense	( 23,267)	( 21,834)
Note and bond principal payments	( 22,942)	( 24,378)
Net cash (used) by capital and related financing activities	<u>( 46,209)</u>	<u>( 46,212)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Restricted cash decrease		
Interest received	<u>1,649</u>	<u>2,097</u>
Net cash provided by investing activities	<u>1,649</u>	<u>2,097</u>
Net decrease in cash and cash equivalents	13,490	( 15,734)
Cash and cash equivalents, beginning	<u>65,511</u>	<u>79,001</u>
Cash and cash equivalents, ending	<u>\$ 79,001</u>	<u>\$ 63,267</u>

See notes to financial statements

Business-type Activities -Enterprise Funds		
Water Fund		Totals
Prior Year	Current Year	12/31/05
\$ 272,584	\$ 294,423	\$ 383,600
( 187,748)	( 174,422)	( 231,809)
<u>84,836</u>	<u>120,001</u>	<u>151,791</u>
100,000		
	4,000	15,822
16,665	12,674	23,425
( 66)	( 1,043)	( 1,402)
		( 3,550)
		( 15,822)
	( 3,440)	( 3,482)
<u>65</u>	<u>( 3,910)</u>	<u>( 10,119)</u>
<u>116,664</u>	<u>8,281</u>	<u>4,872</u>
( 226,000)		
29,564	22,450	22,450
( 10,578)	( 1,128)	( 22,962)
( 65,000)	( 35,000)	( 59,378)
( 272,014)	( 13,678)	( 59,890)
35,923	13,220	13,220
<u>4,379</u>	<u>3,855</u>	<u>5,952</u>
<u>40,302</u>	<u>17,075</u>	<u>19,172</u>
( 30,212)	131,679	115,945
<u>179,305</u>	<u>149,093</u>	<u>228,094</u>
<u>\$ 149,093</u>	<u>\$ 280,772</u>	<u>\$ 344,039</u>

Township of Montrose  
Statement of Cash Flows  
Proprietary funds  
For the Year Ended December 31, 2005  
(Continued)

	<u>Business-type Activities</u> <u>-Enterprise Funds</u>	
	<u>Sewer Fund</u>	
	<u>Prior Year</u>	<u>Current Year</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income(loss)	\$ 29,218	\$ 12,350
Adjustments to reconcile operating income to net cash provided(used) by operating activities:		
Depreciation expense	13,487	13,487
(Increase) decrease in accounts receivable	( 2,755)	( 137)
Decrease (increase) in accounts payable		6,090
Total adjustments	<u>10,732</u>	<u>19,440</u>
Net cash provided by operating activities	<u>\$ 39,950</u>	<u>\$ 31,790</u>

See notes to financial statements

Business-type Activities  
-Enterprise Funds

<u>Prior Year</u>	<u>Water Fund Current Year</u>	<u>Totals 12/31/05</u>
\$ 69,108	\$ 72,171	\$ 84,521
31,240	31,238	44,725
( 15,512)	( 2,575)	( 2,712)
<u>          </u>	<u>19,167</u>	<u>25,257</u>
<u>15,728</u>	<u>47,830</u>	<u>67,270</u>
<u>\$ 84,836</u>	<u>\$ 120,001</u>	<u>\$ 151,791</u>

Township of Montrose  
Statement of Fiduciary Funds  
Fiduciary Funds  
December 31, 2005

	<u>Trust and Agency Fund</u>	<u>Tax Collection Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 10,350	\$ 230,497
Total assets	<u>10,350</u>	<u>230,497</u>
<b>LIABILITIES</b>		
Due to other funds		107,384
Due to other governmental units	<u>          </u>	<u>123,113</u>
<b>NET ASSETS</b>		
Held in trust for other purposes	<u>\$ 10,350</u>	<u>\$          </u>

See notes to financial statements

Township of Montrose  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended December 31, 2005

	<u>Trust and Agency Fund</u>	<u>Tax Collection Fund</u>
<b>ADDITIONS</b>		
Property tax collections, special assessments and fees	\$	\$2,946,633
Investment earnings:		
Interest	41	
Contributions	<u>2,500</u>	
Total additions	<u>2,541</u>	<u>2,946,633</u>
<b>DEDUCTIONS</b>		
Transfers to general fund		141,796
Transfers to police fund		171,219
Transfers to fire fund		57,053
Payments to other governmental units		2,576,565
Other payments		
Total deductions		<u>2,946,633</u>
Changes in net assets	2,541	
Net assets - beginning	<u>7,809</u>	
Net assets - ending	<u>\$ 10,350</u>	<u>\$</u>

See notes to financial statements

**Township of Montrose**  
**Notes to the Financial Statements**  
**December 31, 2005**

**I. Summary of significant accounting policies**

The financial statements of the Township of Montrose (the Township) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

**A. Reporting entity**

The Township is governed by an elected seven-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of February 14th are turned over to Genesee County, which advances the Township 100% for the delinquent taxes.

The 2005 taxable valuation of the Township totaled \$118,613,940, on which ad valorem taxes levied consisted of .8653 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees of \$39,160 to collect the taxes and applicable interest. The Township also two voted millages for police and fire purposes of 1.4435 and .4810 mills, respectively.



The Township reports the following major governmental funds:

The *general fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *fire, police, cemetery, and sanitary landfill funds* are special revenue funds and are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes.

The Township reports the following major proprietary funds:

The *sewer and water funds* account for activities of the business-type - Enterprise Fund of the Township. The intent of the Township's Board is that the costs of providing sewer and water services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Township reports the following nonmajor governmental fund:

The *park fund* is a special revenue fund that is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes.

Additionally, the government reports the following fund types:

Trust funds are used to account for assets held by the government in a trustee capacity. The *trust and agency fund* is a trust fund.

The *current tax collection fund* is an agency fund and is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Township's enterprise fund are charges to customers for sales and services. The Township also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then unrestricted resources as they are needed.

#### **D. Assets, liabilities, and net assets or equity**

##### **1. Deposits and investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

## **2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on February 14th of the following year, at which time penalties and interest are assessed.

It is the Township's policy to place delinquent sewer and water bills on the tax rolls on an annual basis. Delinquent water bill customers also have their service shut off until the bills are paid in full.

## **3. Prepaid items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

## **4. Restricted assets**

Certain resources of the Township's enterprise funds set aside for the repayment of notes payable, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable note covenants.

## **5. Capital assets**

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Township is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	40
Machinery and equipment	10
Park improvements	20
Cemetery improvements	20
Parking lot	20
Sewer system	40
Water system	40

#### **6. Long-term obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types, recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. There are not any long-term obligations in the governmental fund types as of December 31, 2005.

#### **7. Fund equity**

In the fund financial statements, governmental funds report the reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. There were not any reservations or designations of fund balances in governmental funds.

#### **8. Comparative data/reclassifications**

Comparative total data for the prior year have been presented only for the individual enterprise fund in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

## **II. Stewardship, compliance, and accountability**

### **A. Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a proposed budget for the fiscal year commencing on January 1st. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 31st, the budget should be legally adopted by the Township Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The Supervisor is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to December 31st.

### **B. Excess of expenditures over appropriations**

During the year ended December 31, 2005, expenditures exceeded appropriations in the activities of each fund, as follows:

<u>Fund</u>	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Variance</u>
General Fund:			
General government:			
Legislative	\$170,595	\$246,281	\$(75,686)
Clerk	51,350	52,049	( 699)
Board of review	1,180	1,209	( 29)
Treasurer	36,230	36,549	( 319)
Cemetery	45,100	47,370	( 2,270)
Public safety:			
Fire department	138,612	140,408	( 1,796)
Building inspection	30,652	31,624	( 972)
Public works:			
Roads	500	760	( 260)
Drain at large	15,000	25,180	(10,180)
Waste pickup	158,557	164,923	( 6,366)
Recreation & culture:			
Library	71,870	87,396	(15,526)
Fire Fund:			
Public safety:			
Equipment	20,000	34,342	(14,342)
Police Fund:			
Public safety:			
Wages and fringes	470,000	535,454	(65,454)
Sanitary Landfill Fund:			
Public works:			
Roads	230,820	376,984	(146,164)

These overexpenditures were funded by the available fund balances in the individual funds.

### III. Detailed notes on all funds

#### A. Deposits, investments and credit risk

##### Deposits

At year-end, the carrying amount of the Township's deposits were \$1,070,450 and the bank balance was \$1,303,379, of which \$518,802 was covered by federal depository insurance.

##### Investments

The Township did not have any investments.

*Interest Rate Risk* - The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk* - The Township's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Township shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal deposit Insurance Corporation(FDIC), National Credit Union Share Insurance Fund(NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as a eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Township shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Township held in trust by the financial institution or bank. The Township may choose collateralization in the following form and percentages:

- |                                     |            |
|-------------------------------------|------------|
| 1. U.S. Treasury Notes              | - 100%; or |
| 2. U.S. Treasury Notes and/or Bonds | - 75% and  |
| 3. Mortgage Backed Securities       | - 25%      |

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the following collateralization at a minimum once every quarter to the Township.

The Township has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk* - The Township places no limit on the amount the Township may invest in any one issuer.

A reconciliation of cash as shown on the statements of net assets follows:

Carrying amount of deposits	<u>\$ 1,070,450</u>
Cash and cash equivalents:	
General fund	\$ 226,982
Fire fund	103,974
Police fund	26,801
Park fund	16,079
Cemetery fund	72,012
Sanitary landfill fund	201,785
Sewer fund	67,252
Water fund	341,207
Tax collection fund	236,938
Agency fund	10,350
Checks written in excess of deposits	<u>( 232,930)</u>
Total	<u>\$ 1,070,450</u>

**B. Receivables**

The receivables in the enterprise funds consist of accounts receivable from customers of \$72,150.



### C. Capital assets

Capital asset activity for the year ended December 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land & improvements	\$ 229,000	\$	\$	\$ 229,000
Capital assets, being depreciated:				
Buildings & improvements	1,047,502	73,904		1,121,406
Equipment	949,331			949,331
Fire equipment	426,023	15,667		441,690
Police equipment	137,941	44,891		182,832
Park improvements	584,590	15,964		600,554
Cemetery improvements	198,484	2,700		201,184
Parking lot	16,000			16,000
Total capital assets being depreciated	3,359,871	153,126		3,512,997
Less accumulated depreciation for:				
Buildings & improvements	( 549,938)	( 27,111)		( 577,049)
Equipment	( 569,598)	( 94,933)		( 664,531)
Fire equipment	( 255,613)	( 43,386)		( 298,999)
Police equipment	( 70,898)	( 16,039)		( 86,937)
Park improvements	( 43,845)	( 29,877)		( 73,722)
Cemetery improvements	( 109,166)	( 9,992)		( 119,158)
Parking lot	( 8,800)	( 800)		( 9,600)
Total accumulated depreciation	(1,607,858)	(222,138)		(1,829,996)
Total capital assets, being depreciated, net	1,752,013	( 69,012)		1,683,001
Governmental activities capital assets, net	<u>\$1,981,013</u>	<u>\$ ( 69,012)</u>	<u>\$</u>	<u>\$1,912,001</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets, being depreciation:				
Sewer system	\$ 539,460	\$	\$	\$ 539,460
Water system	<u>1,249,526</u>			<u>1,249,526</u>
Total capital assets, being depreciated	<u>1,788,986</u>			<u>1,788,986</u>
Less accumulated depreciation for:				
Sewer system	( 39,132)	( 13,487)		( 52,619)
Water system	<u>( 454,520)</u>	<u>( 31,238)</u>		<u>( 485,758)</u>
Total accumulated depreciation	<u>( 493,652)</u>	<u>( 44,725)</u>		<u>( 538,377)</u>
Total capital assets, being depreciated, net	<u>1,295,334</u>	<u>( 44,725)</u>		<u>1,250,609</u>
Business-type activities capital assets, net	<u>\$1,295,334</u>	<u>\$ ( 44,725)</u>	<u>\$</u>	<u>\$1,250,609</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$132,836
Public safety	59,425
Recreation	<u>29,877</u>
Total depreciation expense- governmental activities	<u>\$222,138</u>
Business-type activities:	
Sewer	\$ 13,487
Water	<u>31,238</u>
Total depreciation expense- business-type activities	<u>\$ 44,725</u>

#### D. Interfund receivables, payables, and transfers

Interfund transfers:

Transfer out:	Transfer In:			
	General Fund	Police Fund	Water Fund	Total
General fund	\$	\$199,291	\$	\$ 199,291
Sanitary landfill fund	<u>393,112</u>	<u>247,537</u>		<u>640,649</u>
Total transfers out	<u>\$393,112</u>	<u>\$446,828</u>	<u>\$</u>	<u>\$ 839,940</u>

The composition of interfund balances as of December 31, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Tax collection	\$ 13,350
Fire	Tax collection	18,187
Police	Tax collection	75,847
Police	Sanitary landfill	5,000
Sanitary landfill	General	10,938
Sanitary landfill	Sewer	15,822
Sewer	Water	<u>4,000</u>
Total		<u>\$143,144</u>

#### E. Long-term debt

##### Notes Payable

On August 3, 2000, the Township borrowed from National City Bank \$448,952.70 to construct a Sanitary Sewer Line. The terms of the installment agreement is an 5.91% per annum interest rate through August 3, 2005, with such interest rate adjusted and effective on August 4, 2005 through August 3, 2010 to be equal to 91% of the average yield on U.S. Treasury Notes with maturity dates occurring within the month of July, 2010 and with such interest rate adjusted again and effective on August 4, 2010 and thereafter to be equal to 91% of the average yield on U.S. Treasury Notes with maturity dates occurring within the month of July, 2015. The Township shall pay fifteen (15) annual payments of \$46,211.08 principal and interest each in accordance with the payment schedule.

Note debt service requirements to maturity are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 25,323	\$ 20,888
2007	27,620	18,591
2008	29,252	16,959
2009	30,981	15,230
2010	32,795	13,416
2011-2015	<u>194,213</u>	<u>37,130</u>
Total	<u>\$ 340,184</u>	<u>\$ 122,214</u>

#### Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>				
Notes payable	\$ 364,562	\$ ( 24,378)	\$ 340,184	\$ 25,323
Bonds payable	<u>35,000</u>	<u>( 35,000)</u>	<u>-</u>	<u>-</u>
	<u>\$ 399,562</u>	<u>\$ ( 59,378)</u>	<u>\$ 340,184</u>	<u>\$ 25,323</u>

#### **F. Segment information**

The Township borrowed from National City Bank on August 3, 2000 to construct a Sanitary Sewer Line and on May 1, 1995 the Township issued bonds to help defray all or part of the costs of certain water line improvements. Summary financial information for the sewer and water departments is presented below.

#### **CONDENSED STATEMENT OF NET ASSETS**

	<u>Sewer</u>	<u>Water</u>
<b>Assets:</b>		
Current assets	\$ 83,591	\$ 336,598
Restricted assets		47,764
Capital assets	<u>486,841</u>	<u>763,768</u>
Total assets	<u>570,432</u>	<u>1,148,130</u>
<b>Liabilities:</b>		
Current liabilities	54,774	23,167
Noncurrent liabilities	<u>314,861</u>	<u>-</u>
Total liabilities	<u>369,635</u>	<u>23,167</u>
<b>Net assets:</b>		
Invested in capital assets	146,657	763,768
Restricted		47,764
Unrestricted	<u>54,140</u>	<u>313,431</u>
Total net assets	<u>\$ 200,797</u>	<u>\$ 1,124,963</u>

**CONDENSED STATEMENT OF REVENUES,  
EXPENSES, AND CHANGES IN  
NET ASSETS**

Charges for services	\$ 89,314	\$ 296,998
Depreciation expense	( 13,487)	( 31,238)
Other operating expenses	( 63,477)	( 193,589)
Operating income(loss)	<u>12,350</u>	<u>72,171</u>
Nonoperating revenues(expenses):		
Tap in fees	10,751	12,674
Investment earnings & penalties	2,097	3,855
Turn on/off charges	( 359)	( 1,043)
Sewer connections	( 3,550)	
Drain improvements	( 15,822)	
Miscellaneous expense	( 6,224)	( 3,930)
Miscellaneous revenue	15	20
Special assessments & interest		22,450
Service charges	( 42)	( 3,440)
Interest expense & fiscal charges	( 20,396)	( 355)
Total nonoperating revenue (expenses)	<u>( 33,530)</u>	<u>30,231</u>
Change in net assets	( 21,180)	102,402
Beginning net assets	<u>221,977</u>	<u>1,022,561</u>
Ending net assets	<u>\$ 200,797</u>	<u>\$ 1,124,963</u>

**CONDENSED STATEMENT OF CASH FLOWS**

Net cash provided (used) by:		
Operating activities	\$ 31,790	\$ 120,001
Noncapital financing activities	( 3,409)	8,281
Capital and related financing activities	( 46,212)	( 13,678)
Investing activities	<u>2,097</u>	<u>17,075</u>
Net increase (decrease)	( 15,734)	131,679
Beginning cash and cash equivalents	<u>79,001</u>	<u>149,093</u>
Ending cash and cash equivalents	<u>\$ 63,267</u>	<u>\$ 280,772</u>

**G. Schedule of investment in capital assets**

Changes in the investment in capital assets in the enterprise fund type for the year ended December 31, 2005, consist of the following:

Balance - beginning	\$ 895,772
Add: Payments of principal on loans	59,378
Deduct: Depreciation	( 44,725)
Balance - ending	<u>\$ 910,425</u>

Changes in the investment in capital assets in the governmental activities for the year ended December 31, 2005, consist of the following:

Balance - beginning	\$ 1,981,013
Add: Capital outlays	153,126
Deduct: Depreciation	( 222,138)
Balance - ending	<u>\$ 1,912,001</u>

#### IV. Other information

##### A. Risk management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation). The Township was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Township joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The Township pays an annual premium to the pool for its general insurance coverage.

The Township has purchased commercial insurance for all other risks of loss. Settlements claims have not exceeded coverages for each of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Township is unable to provide an estimate of the amounts of additional assessments.

##### B. Pension plan

On October 17, 1995, the Township Board adopted a 401(a) Deferred Compensation Plan for full-time and part-time police employees with MERS (Michigan Employees Retirement System). Full-time employees must contribute a minimum of 1 percent per pay period to receive a contribution from the Township in the form of a bonus of 5 percent per pay period. Part-time employees can participate in the plan, but will not receive the contribution from the Township. The Township paid \$20,766 for their portion and the employee's portion was \$4,031.

Required Supplementary Information

## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Park Fund - This fund is used to account for private donations that are specifically restricted for park purposes.



Township of Montrose  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2005

	<u>Special Revenue</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Park</u>	
<b>ASSETS</b>		
Cash and cash equivalents	<u>\$ 14,292</u>	<u>\$ 14,292</u>
Total assets	<u>\$ 14,292</u>	<u>\$ 14,292</u>
<b>LIABILITIES</b>		
Accounts payable	<u>\$ 787</u>	<u>\$ 787</u>
Total liabilities	<u>787</u>	<u>787</u>
<b>FUND BALANCES</b>		
Unreserved	<u>13,505</u>	<u>13,505</u>
Total liabilities and fund balances	<u>\$ 13,505</u>	<u>\$ 13,505</u>

See notes to financial statements

Township of Montrose  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2005

	<u>Special Revenue</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Park</u>	
<b>REVENUES</b>		
Charges for services:		
Franchise fees	\$ 20,290	\$ 20,290
Interest earnings	186	186
Other revenue:		
Miscellaneous	10	10
Private contributions	<u>20,025</u>	<u>20,025</u>
Total revenues	<u>40,511</u>	<u>40,511</u>
<b>EXPENDITURES</b>		
Current:		
Recreation & culture:		
Parks:		
Wages	20,812	20,812
Payroll taxes	1,591	1,591
Operating supplies	9,834	9,834
Gas and oil	1,183	1,183
Workers compensation insurance	202	202
Utilities	101	101
Capital outlay	<u>15,964</u>	<u>15,964</u>
Total expenditures	<u>49,687</u>	<u>49,687</u>
Net change in fund balances	( 9,176)	( 9,176)
Fund balances-beginning	<u>22,681</u>	<u>22,681</u>
Fund balances-ending	<u>\$ 13,505</u>	<u>\$ 13,505</u>

See notes to financial statements

Township of Montrose  
General Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Property taxes & related fees	\$ 34,300	\$ 34,300	\$ 142,606	\$ 108,306
Licenses & permits	23,100	23,100	21,376	( 1,724)
Federal aid	15,525	15,525	92,019	76,494
State revenue sharing	476,221	476,221	481,400	5,179
Charges for services	229,924	230,424	239,656	9,232
Fines & forfeits	500	500		( 500)
Interest earnings	2,000	2,000	2,231	231
Rental of building	1,750	1,750	2,300	550
Other revenue:				
Public & private contributions:				
Franchise fees	41,800	41,800	13,152	( 28,648)
Donations	11,000	11,000	10,389	( 611)
Garbage bags	1,500	1,500	1,446	( 54)
Miscellaneous			8,694	8,694
All other refunds	3,200	3,200	1,921	( 1,279)
Total revenues	<u>840,820</u>	<u>841,320</u>	<u>1,017,190</u>	<u>175,870</u>
<b>EXPENDITURES</b>				
Current:				
Legislative:				
Township board	<u>176,895</u>	<u>170,595</u>	<u>246,281</u>	<u>( 75,686)</u>

Township of Montrose  
General Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2005  
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
<b>EXPENDITURES</b>				
<b>(CONTINUED):</b>				
Current:				
General				
government:				
Bookkeeper	4,150	4,150	4,134	16
Supervisor	30,430	30,430	25,305	5,125
Elections	4,600	4,600	938	3,662
Assessor	24,207	24,207	22,986	1,221
Clerk	51,350	51,350	52,049	( 699)
Board of review	1,180	1,180	1,209	( 29)
Treasurer	36,230	36,230	36,549	( 319)
Cemetery	45,100	45,100	47,370	( 2,270)
Total general government	<u>197,247</u>	<u>197,247</u>	<u>190,540</u>	<u>6,707</u>
Public safety:				
Fire department	133,200	138,612	140,408	( 1,796)
Building inspection	30,652	30,652	31,624	( 972)
Zoning board of appeals	1,615	1,615	1,032	583
Planning commission	<u>7,600</u>	<u>7,600</u>	<u>4,564</u>	<u>3,036</u>
Total public safety	<u>173,067</u>	<u>178,479</u>	<u>177,628</u>	<u>851</u>
Public works:				
Electric utilities	7,400	7,400	4,570	2,830
Roads	500	500	760	( 260)
Drain at large	15,000	15,000	25,180	( 10,180)
Waste pickup	<u>158,557</u>	<u>158,557</u>	<u>164,923</u>	<u>( 6,366)</u>
Total public works	<u>181,457</u>	<u>181,457</u>	<u>195,433</u>	<u>( 13,976)</u>
Recreation & culture:				
Community center	71,870	71,870	87,396	( 15,526)
Library	<u>16,301</u>	<u>16,301</u>	<u>15,721</u>	<u>580</u>

Township of Montrose  
General Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2005  
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>EXPENDITURES</b>				
<b>(CONTINUED):</b>				
Total recreation & culture	<u>88,171</u>	<u>88,171</u>	<u>103,117</u>	<u>( 14,946)</u>
Other revenue:				
Legal & settlements	<u>275,000</u>	<u>275,000</u>	<u>250,460</u>	<u>24,540</u>
Total expenditures	<u>1,091,837</u>	<u>1,090,949</u>	<u>1,163,459</u>	<u>( 72,510)</u>
Excess of revenues over expenditures	<u>( 251,017)</u>	<u>( 249,629)</u>	<u>( 146,269)</u>	<u>103,360</u>
<b>OTHER FINANCING</b>				
<b>SOURCES (USES)</b>				
Transfer in			<u>393,112</u>	<u>393,112</u>
Transfer out			<u>(199,291)</u>	<u>( 199,291)</u>
Total other other financing sources and uses			<u>193,821</u>	<u>193,821</u>
Net change in fund balances	<u>( 251,017)</u>	<u>( 249,629)</u>	<u>47,552</u>	<u>297,181</u>
Fund balances- beginning			<u>56,909</u>	<u>56,909</u>
Fund balances- ending	<u>\$( 251,017)</u>	<u>\$(249,629)</u>	<u>\$ 104,461</u>	<u>\$ 354,090</u>

See notes to financial statements

Township of Montrose  
Fire Fund  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 51,610	\$ 51,610	\$ 57,087	\$ 5,477
Interest earnings	700	700	1,032	332
Other revenue:				
Donations			2,500	2,500
Miscellaneous			1,565	1,565
Total revenues	<u>52,310</u>	<u>52,310</u>	<u>62,184</u>	<u>9,874</u>
<b>EXPENDITURES</b>				
Public safety:				
Liability insurance	8,379	8,379	8,379	
Equipment	<u>20,000</u>	<u>20,000</u>	<u>34,342</u>	<u>( 14,342)</u>
Total expenditures	<u>28,379</u>	<u>28,379</u>	<u>42,721</u>	<u>( 14,342)</u>
Net change in fund balances	23,931	23,931	19,463	( 4,468)
Fund balances- beginning			<u>92,526</u>	<u>92,526</u>
Fund balances- ending	<u>\$ 23,931</u>	<u>\$ 23,931</u>	<u>\$111,989</u>	<u>\$ 88,058</u>

See notes to financial statements

Township of Montrose  
Police Fund  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<b>REVENUES</b>				
Property taxes	\$ 154,521	\$ 154,521	\$171,320	\$ 16,799
Federal aid	56,000	56,000	52,726	( 3,274)
State aid	2,500	2,500	5,497	2,997
Charges for services	68,100	68,100	43,878	(24,222)
Contributions from other governments	182,000	182,000	171,308	(10,692)
Interest earnings	700	700	415	( 285)
Fines & forfeits	26,000	26,000	26,358	358
Miscellaneous	13,000	13,000	28,970	15,970
Total revenues	<u>502,821</u>	<u>502,821</u>	<u>500,472</u>	<u>( 2,349)</u>
<b>EXPENDITURES</b>				
Public safety:				
Current:				
Wages	463,000	420,000	478,112	(58,112)
Payroll taxes	33,675	32,000	36,576	( 4,576)
Pension	22,450	18,000	20,766	( 2,766)
Postage	200	300	299	1
Operating supplies	5,500	8,500	8,280	220
Uniforms	2,000	1,100	1,060	40
Dry cleaning	800	800	785	15
Professional services	20,000	27,500	27,085	415
Radio repair	500	1,350	1,329	21
Telephone	10,000	12,500	12,413	87
Gas & oil	20,000	21,000	20,647	353
Mileage	600	350	347	3
Printing & publishing	1,000	2,900	2,818	82
Insurance	115,000	114,000	113,705	295
Workers compensation insurance		14,500	14,319	181
Liability insurance	89,646	89,646	89,646	
Utilities	4,000	3,200	3,105	95
Vehicle maintenance	10,000	12,500	12,047	453
Maintenance	2,000	3,300	3,209	91
Computer repair	500	280	273	7
Equipment rental	2,500	1,500	1,483	17
Miscellaneous	1,000	1,900	1,880	20
Training & seminars	3,000	4,100	4,047	53

Township of Montrose  
Police Fund  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2005  
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
<b>EXPENDITURES</b>				
<b>(CONTINUED):</b>				
Public safety:				
Current:				
Membership & dues	3,000	3,200	3,194	6
Service charges	200			
Capital outlay	62,000	55,000	54,632	368
Other:				
Special item:				
Settlements		7,200	7,192	8
Deductibles		7,400	7,350	50
Total expenditures	<u>872,571</u>	<u>864,026</u>	<u>926,599</u>	<u>(62,573)</u>
Excess (deficiency) of revenues over (under) expenditures	(369,750)	(361,205)	(426,127)	(64,922)
<b>OTHER FINANCING</b>				
<b>SOURCES (USES)</b>				
Transfers in	<u>135,000</u>	<u>135,000</u>	<u>446,828</u>	<u>311,828</u>
Net change in fund balances	(234,750)	(226,205)	20,701	246,906
Fund balances- beginning			<u>58,270</u>	<u>58,270</u>
Fund balances- ending	<u>\$ (234,750)</u>	<u>\$ (226,205)</u>	<u>\$ 78,971</u>	<u>\$ 305,176</u>

See notes to financial statements



Township of Montrose  
Cemetery Fund  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Lot sales	\$ 8,000	\$ 8,000	\$ 9,125	\$ 1,125
Interest earnings	<u>600</u>	<u>600</u>	<u>1,150</u>	<u>550</u>
Total revenues	<u>8,600</u>	<u>8,600</u>	<u>10,275</u>	<u>1,675</u>
<b>EXPENDITURES</b>				
General government:				
Cemetery:				
Liability				
insurance	2,903	2,903	2,903	
Miscellaneous	1,000	1,000	250	750
Equipment	<u>5,000</u>	<u>5,000</u>	<u>3,792</u>	<u>1,208</u>
Total expenditures	<u>8,903</u>	<u>8,903</u>	<u>6,945</u>	<u>1,958</u>
Net changes in fund balances	( 303)	( 303)	3,330	3,633
Fund balances- beginning	<u>          </u>	<u>          </u>	<u>65,806</u>	<u>65,806</u>
Fund balances- ending	<u>\$ ( 303)</u>	<u>\$ ( 303)</u>	<u>\$ 69,136</u>	<u>\$ 69,439</u>

See notes to financial statements

Township of Montrose  
Sanitary Landfill Fund  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<b>REVENUES</b>				
Interest earnings	\$ 7,000	\$ 7,000	\$ 4,279	\$ ( 2,721)
Other revenue:				
Special item:				
Impact fees	545,000	545,000	564,408	19,408
Miscellaneous	<u>3,200</u>	<u>3,200</u>		<u>( 3,200)</u>
Total revenues	<u>555,200</u>	<u>555,200</u>	<u>568,687</u>	<u>13,487</u>
<b>EXPENDITURES</b>				
Public works:				
Service charges			35	( 35)
Legal services			14,000	( 14,000)
Sanitarian	38,400	38,400	19,509	18,891
Roads	<u>205,820</u>	<u>230,820</u>	<u>376,984</u>	<u>( 146,164)</u>
Total expenditures	<u>244,220</u>	<u>269,220</u>	<u>410,528</u>	<u>( 141,308)</u>
Excess (deficiency) of revenues over (under) expenditures	310,980	285,980	158,159	( 127,821)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in(out)			(640,649)	( 640,649)
Net change in fund balances	310,980	285,980	(482,490)	( 768,470)
Fund balances- beginning			<u>560,322</u>	<u>560,322</u>
Fund balances- ending	<u>\$ 310,980</u>	<u>\$ 285,980</u>	<u>\$ 77,832</u>	<u>\$ ( 208,148)</u>

See notes to financial statements

Township of Montrose  
Park Fund  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Donations	\$ 20,000	\$ 20,000	\$ 20,025	\$ 25
Interest earnings			186	186
Franchise fees	41,800	41,800	20,290	(21,510)
Miscellaneous			10	10
Total revenues	<u>61,800</u>	<u>61,800</u>	<u>40,511</u>	<u>(21,289)</u>
<b>EXPENDITURES</b>				
Recreation & culture:				
Parks:				
Wages	25,662	20,812	20,812	
Payroll taxes	1,994	1,592	1,592	
Operating supplies	4,000	10,252	9,834	418
Professional services	1,000	1,000		1,000
Gas and oil	1,000	1,183	1,183	
Workers compensation insurance		201	201	
Utilities	1,500	830	101	729
Miscellaneous		445		445
Equipment	<u>1,000</u>	<u>16,000</u>	<u>15,964</u>	<u>36</u>
Total expenditures	<u>36,156</u>	<u>52,315</u>	<u>49,687</u>	<u>2,628</u>
Net changes in fund balances	25,644	9,485	( 9,176)	(18,661)
Fund balances- beginning			<u>22,681</u>	<u>22,681</u>
Fund balances- ending	<u>\$ 25,644</u>	<u>\$ 9,485</u>	<u>\$ 13,505</u>	<u>\$ 4,020</u>

See notes to financial statements

**Barry E. Gaudette, CPA, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

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Members of the Township Board  
Township of Montrose  
Montrose, Michigan

**Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Montrose, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the Township of Montrose, Michigan's basic financial statements and have issued my report thereon dated May 10, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, I considered the Township of Montrose's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
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Township of Montrose  
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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township of Montrose's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, the Township Board, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Bary E. Jandl, P.C.*

May 10, 2006

**Barry E. Gaudette, CPA, P.C.**

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My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

The following comments and recommendations are based on observations made during the course of my examination for the year ended December 31, 2005:

**Budget Preparation**

The Township budget for 2005 was completed in June 2005, because the new Supervisor began his duties in May 2005. The 2006 budget was prepared timely.

**Cash collections**

The Township accepts cash for payment of sewer and water usage collections, special assessments and property tax collections. To improve internal controls the Township should consider not accepting cash payments.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management and the Township Board and should not be used for any other purpose.

*Barry E. Gaudette, CPA, PC*

May 10, 2006